
KEDC says abatements good business for Kilgore

By Jana M. Russell

Published: 03/01/2010 - 08:39

In a flattened economy, tax abatements are good business for the City of Kilgore.

That's the news in a nutshell from a Kilgore Economic Development Corporation report delivered to the city council this week.

Tax breaks and other sweeteners to seven big tax customers have resulted in some \$125 million dollars of investment and almost 600 jobs in the City of Stars, said KEDC executive director Amanda Nobles, noting the achievement was remarkable for the times.

"The economy has been terrible across the U.S. – really, globally. This shows what a great job these companies are doing of keeping the jobs and making the investment, in spite of the economy," Nobles said of numbers chronicled in a chart that outlined the abatements from the City of Kilgore, Kilgore College and Gregg County and corresponding jobs created and investments brought to the area.

"Tax abatement in Kilgore has been a very good tool – in some cases, we have more jobs than they were required to create. In most cases, they made way more investment than they were required to make," she said.

Tax abatements work to help companies absorb the investment costs of start-ups and expansion. The tax breaks are incrementally reduced, on an agreed-upon schedule, so that within a set period – say, six years – the company that's up and running becomes able to shoulder its expected full tax burden.

Nobles praised the companies for living up to their commitments in a financially challenging environment, circa 2009-2010.

"I just think they need credit and recognition for what they have accomplished," she said, noting that all seven companies on the list are in compliance this year with their KEDC agreements.

In an area inextricably linked to the fates of the oil and gas industry, the variety exhibited on the KEDC tax abatement roster bodes well for the area's economic health, Nobles said.

"This shows the diversification of the economy – with the exception of one, these are not oil and gas sector businesses. In the arena of tax abatement, we have successfully begun to diversify," Nobles said.

There are two basic abatement schedules. Type I is the largest, offering companies 100 percent tax abatement for three years, and then 75, 50 and 25 percent over the next three years.

Type II abatement programs offer half of Type I - 50 percent tax abatement for three years, and then 37.5, 25 and 12.5 percent over the next three years.

Compliance with the KEDC agreement is measured either in jobs or in investment in lieu of jobs, using a formula

that divides investment by the value of individual jobs.

+++

Type I tax abatement companies

At Closure Systems International (CSI), the company is in Year 4 of a Type I abatement schedule. Their number of jobs to be created was 70, they started with 132 jobs, and they currently have 198 jobs – but actually 263 considering investment in lieu of jobs. The company has invested \$32,296,260.

Shama LLC, which bought out the former company Scannell, which did the building for CSI, is in the fourth year of a Type 1 abatement. Their investment is \$7,617,614. As an incentive from KEDC, the company acquired an adjacent nine-acre vacant tract of land with a base value of \$92,000 for \$1, said Amanda Nobles. Most of the companies on the tax abatement list were able to negotiate incentives, she said, citing Bucyrus, which got a similar package but without an outside owner.

Cleveland Steel Container is in the third year of a Type I abatement. Their number of jobs to be created was 30, and they have created 28 to date, or 43 counting investment in lieu of jobs. Their investment has been \$7,609,850.

Bucyrus, formerly Minserco, Inc., is in year 3 of a Type 1 abatement program. They started with 39 jobs, and were to create 40 jobs. They appear to have doubled their job creation projections and have a current employee roster of 125, of which 104 have 1,820 or more hours a year. Their total investment has been \$15,487,970, doubling their required investment.

Orgill, Inc. is in a category by its self. Recognized earlier this year for their success at their Synergy Park location, Orgill received a remarkable 10-year, 100 percent abatement “for a project of unusual economic impact.” They are in year three of their abatement program. They projected to employ between 135-150 jobs by the end of 2010, and 300 jobs by the end of 2012. They have a current employee roster of 136 full-time jobs plus 10 temps. Their total company investment was \$51,523,934, which more than doubled their required \$20 million.

+++

Type II Abatements

A locally-grown company, Ana-Lab Corporation is in year 6 of a Type II abatement. They have exceeded the six jobs they were to create, and have a current employee roster of 66. Their total investment is about \$2.9 million.

Stream-Flo USA is in the sixth year of a Type II tax abatement program. They were to create 20 jobs, and have exceeded that by more than 10 percent, with a current employee roster of 23 jobs. Their total investment is about \$8.350 million.